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News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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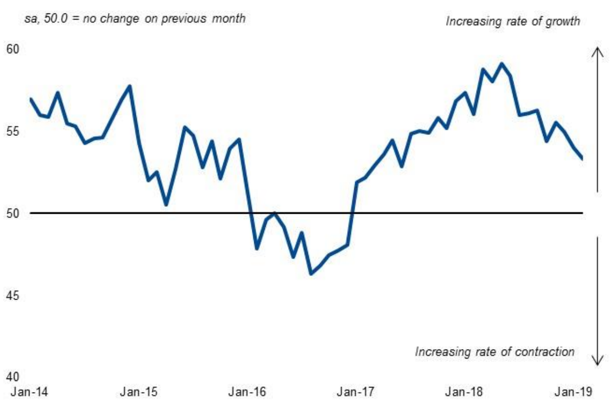
Stanbic IBTC Bank Nigeria PMI®

Output growth eases to 20-month low in February

Data collected 12-26 February

- Weaker rises in output and new orders
- Growth of purchasing activity slows sharply
- Inflationary pressures remain muted

Stanbic IBTC Bank Nigeria PMI



Sources: Stanbic IBTC Bank, IHS Markit

February data pointed to a further loss of growth momentum in the Nigerian private sector, with output, new orders and employment all rising at weaker rates than at the start of the year. Meanwhile, rates of expansion in purchasing activity and inventories slowed sharply. Inflationary pressures also remained relatively muted midway through the first quarter of the year.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI®). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

Commenting on February's survey findings, Gbolahan Taiwo, Economist at Stanbic IBTC Bank said:

"Like we largely expected, the Stanbic IBTC PMI grew at a slower pace in February at 53.3 from 54 recorded in January. Our expectations remain that the first quarter of the year will be modest at best in terms of output growth owing to the electioneering processes at the state and federal levels. Away from the cautiousness of corporates just before the elections, our sense is that the momentum of overall growth is still yet to pick up considerably. This has been evident in the slow pace of growth in purchasing activities which peaked in April 2018. On the one hand, consumer purchasing power has remained pressured for a while now and that continues to impact negatively on wholesale and retail trade. But more importantly, the concerns around the congestion at the major ports continues to dampen trading activities. Hence, we expect to see an uptick in growth momentum if and when the infrastructural challenges around the ports are resolved."

The main findings of the February survey were as follows:

The headline PMI fell for the third successive month in February, down to 53.3 from 54.0 in January. Although continuing to signal a solid monthly strengthening of business conditions at Nigerian companies, the rate of improvement was the weakest since June 2017.

New orders continued to increase at a sharp pace in February, albeit one that was the slowest in four months. Where new business rose, panellists linked this to strong

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client demand. New export orders also expanded at a reduced pace during the month.

With client demand and customer numbers increasing, companies in Nigeria raised output accordingly, extending the current sequence of expansion to 26 months. That said, the rate of growth was the softest since June 2017 amid some reports that the election had acted to dampen activity.

Backlogs of work continued to increase in February, reflecting higher new orders as well as issues with machinery and financing. Efforts to get on top of workloads led companies to take on extra staff. Job creation was registered for the twenty-second successive month, although the latest rise in employment was only modest.

The rate of expansion in purchasing activity slowed sharply, continuing the broad trend of softening growth seen since the survey record in April 2018. In fact, the latest rise in input buying was the weakest for a year-and-a-half. Similarly, the rate of accumulation of stocks of purchases was much weaker in February than at the start of the year. Meanwhile, prompt payments and competition among suppliers led to a further shortening of lead times on the delivery of purchased items.

The rate of overall input cost inflation remained muted in February. Purchase prices rose at the weakest pace in 16 months, while staff costs increased only slightly. The rate of output price inflation softened for the second month running and was the weakest since July last year. While some companies raised charges in line with higher input costs, others lowered selling prices in an effort to attract customers.

-Ends-

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Note to Editors:

The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Nigerian formal economy, including agriculture, manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

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The Purchasing Managers' Index (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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